

## **Taxing Sugared Beverages Would Help Trim State Budget Deficits, Consumers' Bulging Waistlines, and Health Care Costs**

### **State Budgets Are in Trouble**

Tax receipts are falling around the country and state budgets are in real trouble – possibly for years to come. The Center on Budget and Policy Priorities, a think tank that studies budget issues that affect moderate and low-income people, reports that 48 states have or are facing budget shortfalls this fiscal year (2010) and predicts that a majority will experience shortfalls in 2011 as well. States' aggregate budget gaps through 2011 may exceed \$350 billion.

Those budget gaps put enormous pressure on governors and state legislators to make the hard choices necessary to balance their budgets. Politicians, interest groups, and the public have been consumed by battles over how much to cut vital state programs, many of which are already seriously underfunded, and how much to raise in new revenue. Dozens of states have already implemented budget cuts that hurt the most vulnerable of its residents, and more than 30 states have raised taxes. Given the current economic crisis, more such actions are anticipated over the next few years to keep budgets in balance and maintain governmental solvency.

### **Taxing Soft Drinks Would Reduce Budget Woes**

Despite the dire economic condition of almost every state in the union, lawmakers have largely ignored one important potential source of revenue that would also improve the public and reduce health care costs. Imposing taxes on sugar-sweetened beverages would yield billions of dollars in new revenue and counter the alarming risks of obesity, poor nutrition, and displacement of more healthful foods and beverages. The burgeoning consumption of relatively cheap sugared beverages increases risk for obesity and diabetes, which are among the most significant

causes of ill health and escalating health care costs.

Many states already impose modest taxes on sugared beverages and snack foods, but those small taxes bring in little revenue and have little, if any, effect on the consumption of those products and the health of consumers. The current budget crisis calls for bold action to balance state budgets without hurting the state's most vulnerable residents. Imposing reasonable taxes on soft drinks – which are the only food category that has been shown to promote overweight and obesity – would provide needed new revenue and actually improve the health of the most needy citizens – by saving vital state programs and by reducing excessive consumption of unnecessary products that result in serious and costly diet-related diseases. Levying special taxes on soda pop and other sugar-sweetened beverages would trim budget deficits and state health care costs, while also shrinking the waistlines of teens and others who gorge on unhealthy drinks.

Although taxing soft drinks will not – by itself – balance state budgets or wipe out diet-related diseases and health care costs, the revenue potential from a modest new (or extra) tax of five cents per 12-ounce serving is considerable. Nationally, states would see increased revenues of more than \$7 billion annually, ranging from about \$13 million in Wyoming to about \$878 million in California. Currently, 25 states (and the City of Chicago) levy special taxes on soft drinks, typically in the form of a sales tax. New York State's sales tax on soda brings in several hundred million dollars each year, while Arkansas' soda excise tax yields more than \$40 million per year.

"Nickel-a-drink" state revenue projections, based on national consumption data and pro rated for each state's population, are shown below, along with current state obesity rates:

**State Budget Deficits (FY2010) and Potential Revenues  
from a Nickel-a-Drink\* Tax on  
Sugar-Sweetened Beverages**

State	FY2010 Budget Gap	Annual New Revenue	New Revenue Share of Budget Gap
Alabama	\$1,200,000,000	\$111,000,000	9.25%
Alaska	\$1,300,000,000	\$16,000,000	1.23%
Arizona	\$4,000,000,000	\$155,000,000	3.88%
Arkansas	\$146,000,000	\$68,000,000	46.58%
California	\$53,700,000,000	\$878,000,000	1.64%
Colorado	\$1,400,000,000	\$118,000,000	8.43%
Connecticut	\$4,100,000,000	\$84,000,000	2.05%
Delaware	\$557,000,000	\$21,000,000	3.77%
District of Columbia	\$800,000,000	\$14,000,000	1.75%
Florida	\$5,900,000,000	\$438,000,000	7.42%
Georgia	\$3,900,000,000	\$231,000,000	5.92%
Hawaii	\$978,000,000	\$31,000,000	3.17%
Idaho	\$411,000,000	\$36,000,000	8.76%
Illinois	\$9,200,000,000	\$308,000,000	3.35%
Indiana	\$1,100,000,000	\$152,000,000	13.82%
Iowa	\$779,000,000	\$72,000,000	9.24%
Kansas	\$1,400,000,000	\$67,000,000	4.79%
Kentucky	\$1,100,000,000	\$102,000,000	9.27%
Louisiana	\$1,800,000,000	\$105,000,000	5.83%
Maine	\$640,000,000	\$31,000,000	4.84%
Maryland	\$1,900,000,000	\$135,000,000	7.11%
Massachusetts	\$5,000,000,000	\$155,000,000	3.10%
Michigan	\$2,400,000,000	\$239,000,000	9.96%
Minnesota	\$3,200,000,000	\$125,000,000	3.91%
Mississippi	\$480,000,000	\$70,000,000	14.58%
Missouri	\$923,000,000	\$141,000,000	15.28%
Montana	---	\$23,000,000	---
Nebraska	\$150,000,000	\$43,000,000	28.67%
Nevada	\$1,200,000,000	\$62,000,000	5.17%
New Hampshire	\$250,000,000	\$31,000,000	12.40%
New Jersey	\$8,800,000,000	\$207,000,000	2.35%
New Mexico	\$345,000,000	\$47,000,000	13.62%
New York	\$17,900,000,000	\$465,000,000	2.60%
North Carolina	\$4,600,000,000	\$220,000,000	4.78%
North Dakota	---	\$15,000,000	---
Ohio	\$3,300,000,000	\$274,000,000	8.30%
Oklahoma	\$600,000,000	\$87,000,000	14.50%
Oregon	---	\$91,000,000	---
Pennsylvania	\$4,800,000,000	\$297,000,000	6.19%
Rhode Island	\$590,000,000	\$25,000,000	4.24%
South Carolina	\$725,000,000	\$107,000,000	14.76%
South Dakota	\$32,000,000	\$19,000,000	59.38%
Tennessee	\$1,000,000,000	\$148,000,000	14.80%
Texas	\$3,500,000,000	\$581,000,000	16.60%
Utah	\$1,000,000,000	\$65,000,000	6.50%
Vermont	\$278,000,000	\$15,000,000	5.40%
Virginia	\$1,800,000,000	\$186,000,000	10.33%
Washington	\$3,600,000,000	\$156,000,000	4.33%
West Virginia	\$200,000,000	\$43,000,000	21.50%
Wisconsin	\$3,200,000,000	\$134,000,000	4.19%
Wyoming	\$32,000,000	\$13,000,000	40.63%
<b>Total U.S.</b>	<b>\$166,216,000,000</b>	<b>\$7,257,000,000</b>	<b>4.37%</b>

\* A "drink" is defined as a 12-oz serving.

Source: <http://www.cbpp.org/cms/?fa=view&id=711>

**2008 State Obesity Rates**

State	%
Alabama	31.4
Alaska	26.1
Arizona	24.8
Arkansas	28.7
California	23.7
Colorado	18.5
Connecticut	21
Delaware	27
District of Columbia	21.8
Florida	24.4
Georgia	27.3
Hawaii	22.6
Idaho	24.5
Illinois	26.4
Indiana	26.3
Iowa	26
Kansas	27.4
Kentucky	29.8
Louisiana	28.3
Maine	25.2
Maryland	26
Massachusetts	20.9
Michigan	28.9
Minnesota	24.3
Mississippi	32.8
Missouri	28.5
Montana	23.9
Nebraska	26.6
Nevada	25
New Hampshire	24
New Jersey	22.9
New Mexico	25.2
New York	24.4
North Carolina	29
North Dakota	27.1
Ohio	28.7
Oklahoma	30.3
Oregon	24.2
Pennsylvania	27.7
Rhode Island	21.5
South Carolina	30.1
South Dakota	27.5
Tennessee	30.6
Texas	28.3
Utah	22.5
Vermont	22.7
Virginia	25
Washington	25.4
West Virginia	31.2
Wisconsin	25.4
Wyoming	24.6

Source: <http://www.cdc.gov/obesity/data/trends.html>

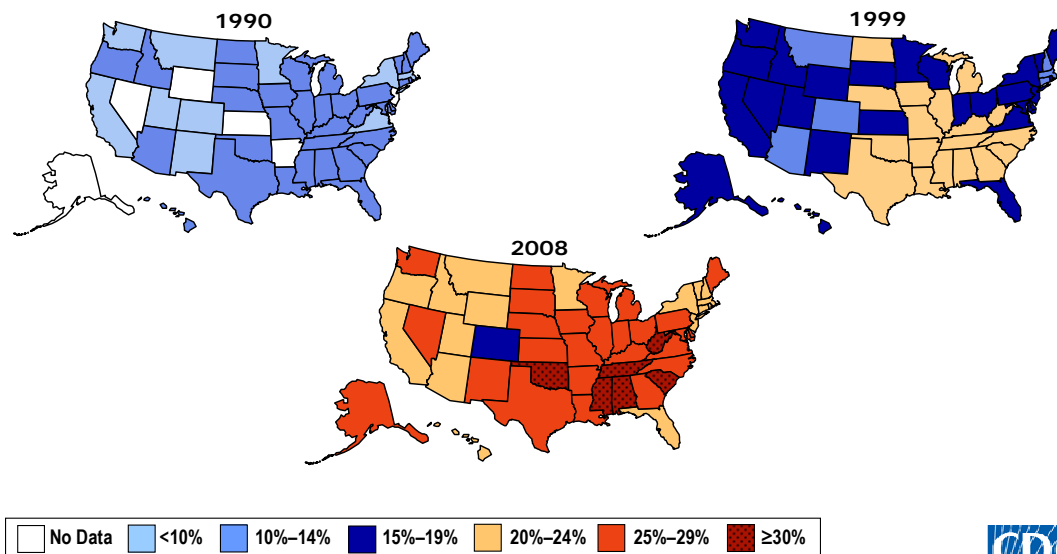
## Obesity, Soft-Drink Taxes and Health

Aside from the revenue implications, there are numerous good reasons to tax soft drinks (including those sweetened with sugar, corn syrup, or other caloric sweeteners) and other carbonated and non-carbonated drinks, such as fruit drinks, sports drinks, and energy drinks):

- Sugared soft drinks are the *only* food or beverage that has been shown to increase the risk of overweight and obesity, which increase the risk of heart disease, stroke, cancer, diabetes, and other costly and debilitating chronic diseases.<sup>1</sup>
- More than two-thirds of Americans are overweight or obese.<sup>2</sup>
- Sugared beverages are marketed aggressively, especially to children and adolescents, whose intake of those drinks surpassed their intake of milk in the 1980s. Those beverages now account for around 10% of the calories consumed by children and adolescents.<sup>3</sup>
- For each additional sugared drink consumed per day, the likelihood of a child's becoming obese increases by 60%.<sup>4</sup>
- Americans spend roughly \$150 billion a year on medical expenses related to obesity, of which about half is paid with Medicare and Medicaid dollars.<sup>5</sup>
- Like the steep taxes now levied on tobacco products, which have significantly reduced tobacco use, *modest* taxes on sugared beverages would tend to reduce soda consumption. Taxes on sugar-sweetened drinks would encourage consumers to switch to more healthful beverages, leading to reduced calorie intake and less weight gain. And though the somewhat higher prices would have only a modest effect on consumption, some of the revenues could be used to promote healthier diets and more physical activity.
- Although soft-drink taxes would affect lower-income consumers more than higher-income consumers, low-income folks would be the prime beneficiaries of expanded health care and any prevention programs funded by the new revenue, and would reap the benefits of better health and reduced risk of serious chronic diseases.

### Obesity Trends\* Among U.S. Adults BRFSS, 1990, 1999, 2008

(\*BMI ≥30, or about 30 lbs. overweight for 5'4" person)



Source: CDC Behavioral Risk Factor Surveillance System.



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For further information:

[www.cspinet.org/liquidcandy/index.html](http://www.cspinet.org/liquidcandy/index.html)

[www.yaleruddcenter.org](http://www.yaleruddcenter.org)

<http://www.cbpp.org/cms/index.cfm?fa=view&id=2830>

*Sugar Sweetened Beverage Taxes and Public Health*, The Robert Wood Johnson Foundation Research Brief, Chaloupka, Powell, Chriqui (July 2009).

*Ounces of Prevention – The Public Health Case for Taxes on Sugared Beverages*, Brownell and Frieden, N Engl J Med (April 30, 2009).

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<sup>1</sup> Vartanian LR, Schwartz MB, Brownell KD, Effects of soft drink consumption on nutrition and health: a systematic review and meta-analysis, Am J Public Health 2007;97:667-75.

<sup>2</sup> [http://www.cdc.gov/nchs/products/pubs/pubd/hestats/overweight/overwght\\_adult\\_03.htm](http://www.cdc.gov/nchs/products/pubs/pubd/hestats/overweight/overwght_adult_03.htm) (accessed 9/20/09)

<sup>3</sup> Brownell KD, Frieden TR, Ounces of Prevention – The policy case for taxes on sugared beverages, N Engl J Med 2009; 10.1056/NEJMp0902392.

<sup>4</sup> Nielsen SJ, Popkin BM, Changes in beverage intake between 1977 and 2001, Am J Prev Med 2004;27:205-10. [Erratum, Am J Prev Med 2005; 28:413.]

<sup>5</sup> Finkelstein EA, Trogdon JG, Cohen JW, Dietz W, Annual medical spending attributable to obesity: payer- and service-specific estimates, Health Affairs 28, no. 5 (2009): w822-w831 (published online 27 July 2009; 10.1377/hlthaff.28.5w822)